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C O N F I D E N T I A L SECTION 01 OF 04 TEGUCIGALPA 000183

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SUBJECT: CODEL WELLER LAUDS CLOSE BILATERAL RELATIONSHIP,
HIGHLIGHTS DIVIDED OPINIONS ON CAFTA

REF: A. 05 PANAMA 127

[1B](#). 04 GUATEMALA 3188
[1C](#). 04 TEGUCIGALPA 2844
[1D](#). 04 TEGUCIGALPA 2635
[1E](#). 05 TEGUCIGALPA 149

Classified By: EconOff PDunn for reasons 1.4 (b) and (d)

[¶1](#). (U) Summary: Congresspersons Jerry Weller, Collin Peterson, and Marsha Blackburn visited Honduras January 16 to 18, 2005. The delegation met with President Ricardo Maduro and top ministers, key Honduran Congressmen, including President of Congress (and Presidential candidate) Porfirio "Pepe" Lobo, and Honduran and American businessmen. The delegation also made two visits outside of Tegucigalpa, one to a furniture factory and the other to a farm, both to highlight the opportunities that CAFTA and greater trade can bring to Honduras. At every opportunity, Congressman Weller praised the close relationship that exists between the United States and Honduras and thanked the GOH for its cooperation in a variety of areas, including the fight against drug trafficking and terrorism. Congressman Weller also voiced his strong support for CAFTA and said that he is confident the U.S. Congress will approve the agreement "in the spring." Congressman Peterson, however, was frank in his opposition to CAFTA, and a prominent theme of most Honduran press coverage of the visit was this difference of opinion. End Summary.

[¶2](#). (U) U.S. Representatives Jerry Weller (R-II), Collin Peterson (D-MN), and Marsha Blackburn (R-TN) arrived in Honduras on January 16, on the last leg of an official trip that also included Colombia and Panama (see ref A). They were accompanied by House International Relations Committee Staff members Caleb McCarry and Ted Brennan. Congresswoman Blackburn departed on January 17 and the rest of the delegation on January 18.

Field Visits Highlight Promise of Free Trade

[¶3](#). (U) Two visits outside of Tegucigalpa on January 17 highlighted the benefits that greater trade can bring to ordinary Hondurans. In the morning, the delegation visited a furniture factory whose unionized work force, of over 400, uses sustainably-harvested pine to produce furniture for export to the United States. In the afternoon, the delegation visited farmers who have received technical assistance from the U.S. consulting firm Fintrac, supported by USAID. Most of the farmers visited had, until recently, been planting sugar cane but had found it difficult to make a good profit on the crop. Now, thanks to the assistance received from Fintrac, including drip irrigation equipment and market information, they are producing tomatoes, plantains, onions, and chili peppers for export to other countries in the region and had doubled or tripled their income as a result. Press coverage of each visit served to counter the myth that ordinary Hondurans are unable to produce at an adequate level to sell to international markets.

Meetings with AmCham, Congressmen Focus on CAFTA

[¶4](#). (U) A dinner hosted by the Honduran-American Chamber of Commerce on January 16 focused on the strong economic relationship that exists between Honduras and the United States and gave the Congressmen a chance to air their views on CAFTA. Congressman Weller spoke strongly in favor of the agreement, declaring his optimism that the U.S. Congress will approve the agreement in a few months. Congressman Blackburn also voiced her support of the agreement, especially emphasizing the importance of stricter measures for the protection of intellectual property.

15. (SBU) Congressman Peterson, however, representing a district that produces 25 percent of all U.S. sugar, was open and frank in discussing his opposition to CAFTA. "Honduras is not the problem," said Congressman Peterson, recognizing the small size of the Honduran industry (Honduras' current annual quota for sugar is just 10,530 metric tons) and the limited opening that CAFTA would grant. The problem, he said, is the precedent set by including sugar in bilateral or regional trade agreements at all. Peterson believes that the issue of sugar and other agricultural commodities should instead be addressed multilaterally, at a forum that includes the European Union. When one AmCham board member asked Congressman Peterson "What can we do to change your mind about CAFTA?", Congressman Peterson replied that if his district could grow cotton instead of sugar beets, he would support the agreement, but that given the bad experience that his constituents had with NAFTA, he will not be able to support CAFTA. (Note: Congressman Peterson also set up a private meeting with Carlos Melara, Director of the Honduras Sugar Growers' Association, on his last day in Honduras. According to Congressman Peterson, Melara expressed concern that a U.S. move towards free trade in sugar could ultimately be detrimental to the Honduran sugar industry, as the elimination of the quota system, which currently guarantees Honduran sugar a piece of the U.S. market, would place Honduran sugar producers in direct competition with more efficient producers in Guatemala. End note.)

16. (SBU) Congressman Weller also used the AmCham event to voice his concern and call the assembled business leaders to action over the legislation passed by the Congress of Guatemala in December removing data protection for pharmaceuticals and agricultural chemicals (ref B). Congressman Weller was clear that this legislation, if not repealed or overridden, would jeopardize the passage of CAFTA by the U.S. Congress. Moreover, he expressed great disappointment in the lack of involvement shown by the Guatemalan private sector, which recognizes the importance of CAFTA but, according to Congressman Weller, has done little to lobby its government on the data protection legislation. Congressman Weller urged members of the Honduran private sector to engage with their Guatemalan counterparts on this issue.

17. (SBU) Additional issues raised by the Honduran businessmen who attended the dinner included port security, specifically a request to have Puerto Cortes included in the Container Security Initiative, and complaints about the increased hassle of travel through U.S. airports due to post-9/11 security measures.

18. (U) The following day, discussion at a breakfast meeting with Honduran Congressmen also focused heavily on CAFTA. Honduran Congressmen in attendance at the January 18 breakfast included the President of Congress (and National Party Presidential candidate) Porfirio "Pepe" Lobo, Second Vice President of Congress Juan Ramon Velasquez Nazar of the Christian Democratic Party, Roberto Contreras of the National Party, and Jorge Aguilar of PINU (the Party for Innovation and National Unity). (Liberal Party Congressmen were invited but did not attend the breakfast.)

19. (SBU) Congressman Aguilar voiced concerns that small businesses and small farmers would not be able to compete under the greater competition that CAFTA would bring to Honduras; Congressman Weller responded with examples from the two site visits he had made the previous day, showing that Hondurans are already successful in producing manufactured goods and agricultural products for export. When the conversation turned to the challenge that greater competition with China poses to Honduras, Congressman Weller pointed out that such competition is also a challenge to the United States and declared that "CAFTA gives us the opportunity to integrate as a region and to better compete as a region," particularly with China and other Asian countries.

10. (SBU) Congressman Weller also raised the issue of security, mentioning the December bus massacre (ref D) and two recent cases of Amcits murdered in Honduras. President of Congress "Pepe" Lobo took the opportunity to list the measures that the current administration has taken against gangs, including significantly increasing jail terms for convicted gang members, but acknowledged that their continued presence had a negative impact on Honduras' image internationally. Congressman Aguilar specifically raised the fear that organized drug-trafficking groups are now making use of the gangs to support their operations and cited a lack of economic opportunities for young Hondurans as a persistent underlying cause of the gangs.

Meeting with President Maduro

11. (U) On January 18, after Congressman Blackburn's departure, Representatives Weller and Peterson, accompanied

by Ambassador Palmer and DCM Roger Pierce, met with President Maduro. Also present, though largely silent, were Minister of Industry and Trade Norman Garcia, Minister of Agriculture Mariano Jimenez, Foreign Minister Leonidas Rosa Bautista, and Minister for Strategy and Communication Ramon Medina Luna.

¶12. (SBU) President Maduro began the meeting by recounting at length the accomplishments of his administration thus far. On the economic front, Maduro highlighted economic growth of 3.2 percent in 2003 and 4.3 percent in 2004, the first time in decades that economic growth has exceeded population growth for two consecutive years, and predicted growth of 5 percent in 2005. He also mentioned increasing international reserves, recently-granted debt relief, and the fiscal stability gained through the hard-fought battle to increase government control over public sector salaries, especially teachers' salaries. (Comment: There is more glitter than gold in this last claim, as the IMF has expressed disappointment with the GOH's limited progress to date on controlling public sector wages. The Fund has given the GOH more time to work on it, but failure to rein in teachers' wages could have dire consequences for the budget and by extension for the success of the current IMF agreement. End Comment.) Despite these gains, however, Maduro acknowledged that "it takes time before the people feel it," and further stressed that foreign investment and economic growth are still well below the level needed (approximately 6 percent per year) to reach the goal of raising Honduras to the level of a middle-income country within twenty years.

¶13. (C) On the political front, Maduro mentioned the decrease in the number of kidnappings and bank robberies that has taken place under his administration; the recent electoral reforms, which establish a more direct election of Congressmen (ref D); the change from a written inquisitorial system to an oral "public" system for criminal prosecution (the new Code of Criminal Procedures); and measures taken to fight corruption - though on this last point Ambassador Palmer interjected that he and President Maduro "have agreed to disagree" on the actual effectiveness of these measures. (Comment: Post feels the GOH lacks the political will to prosecute ringleaders, only pawns have been held accountable.

Recent public remarks by President Maduro that public discussion of corruption could threaten democracy in Honduras only heightens our concern in this regard. End Comment.) President Maduro also explained that, despite his preference for a consensus Central American candidate for the post of Secretary General of the OAS, it will be "difficult" for

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Honduras to support the candidacy of Paco Flores, due to the history of border disputes between Honduras and El Salvador during Flores' presidency (see ref E).

¶14. (C) The Congressmen thanked President Maduro for the close bilateral relationship that Honduras and the United States enjoy, with Congressman Weller citing Honduras' prompt ratification of an Article 98 Agreement and Congressman Peterson specifically mentioning Honduran co-operation in intelligence and counter-terrorism matters. Congressman Weller then stressed his support for CAFTA and declared his commitment to work for U.S. Congressional approval of the agreement "in the spring." Congressman Weller also raised the issue of Guatemala's new data protection law and urged President Maduro to do what he could to ensure that this issue would not derail CAFTA's passage; Maduro replied that he was "very concerned" about the issue as well. Congressman Peterson explained his opposition to CAFTA was due to the importance of the sugar issue to his constituents, though he said he recognized the importance of the agreement to Honduras.

¶15. (C) Maduro thanked Congressman Weller for his support of CAFTA and said he understood Congressman Peterson's opposition to the agreement; drawing a parallel between Congressman Peterson's position on CAFTA and Maduro's position on Paco Flores' candidacy for the OAS, he acknowledged that sometimes there are positions that a politician would like to take but cannot due to political reasons. Maduro concluded the meeting by saying that, for Honduras, CAFTA is about more than increased trade, but also about the impact on other key areas, such as promotion of transparency and the rule of law, greater protection of the environment, and labor rights, all of which contribute to an improved investment climate and greater opportunities for sustained economic growth. Referring back to the steps that have been taken against crime in Honduras under his administration, Maduro acknowledged that the government can only go so far before it hits the basic underlying causes of crime, which include a lack of economic opportunity and low levels of education for most Hondurans. The gains offered through CAFTA will address these root causes of violence and also help convince the Honduran people that more open democratic institutions are worth preserving, as they truly do deliver a better standard of living for ordinary Hondurans.

Press Focuses on Differing Views of CAFTA

¶16. (U) Much of the press coverage of the delegation's visit focused on the difference of opinion that Congressmen Weller and Peterson have regarding CAFTA. While headlines captured Congressman Weller's confidence that CAFTA will be passed in a few months, Congressman Peterson's opposition to the agreement, especially as explained at the press conference following the visit with Presidential Maduro, was widely covered as well.

¶17. (U) CoDel Weller did not clear on this cable prior to their departure.

Palmer